Investment Idea

UUE Holdings Bhd

Solid Beneath the Surface

By Lee Cai Yu

BUY

Price: RM0.815

Target price: RM1.03

UUE Holdings Bhd (UUE: 0310) continues to strengthen its position as a leading underground utility contractor after securing 12 contracts YTD. Underpinned by multiple projects in progress and strong job delivery, we expect the company to register core net earnings of RM31.7m for FY2/26F and RM41.7m for FY2/27F. BUY with a target price of RM1.03 based on forward FY2/27F PER at a reasonable 15x.

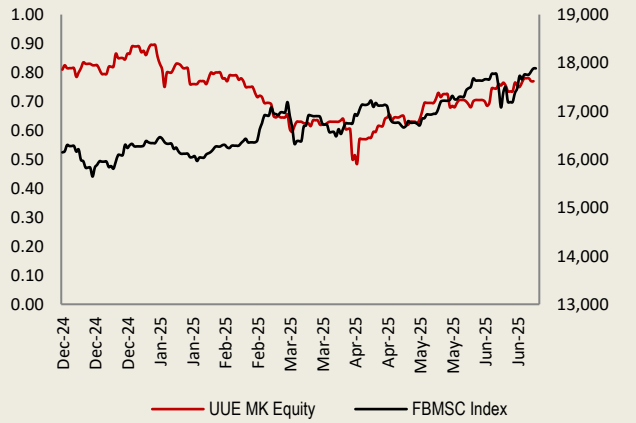
The recent RM83.4m subcontract from Sutera Utama for underground cable works in TNB's 11kV and 33kV network highlights continued trust in UUE's operational track record. These contract wins have boosted the Group's outstanding orderbook to a record-high RM416m, equivalent to 2.4x of FY25 revenue, offering clear earnings visibility over the next two years. Many of these jobs come with optional extensions, which could pave the way for additional related projects, as seen in the recent RM13m contract renewal.

UUE's vertical integration via its subsidiary PPI, which manufactures HDPE pipes, provides a key competitive edge. In FY2/25, the plant recorded 65.7% average utilisation, and the commissioning of Line 3 which focused on smaller-diameter pipes, will enhance efficiency via faster extrusion and reduced resin usage. The Group is also targeting Maxis vendor approval by 1QFY26, potentially unlocking new revenue streams from external clients and supporting margin expansion.

While Malaysia remains UUE's main market, contributing nearly 85% of FY2/25 revenue, its expansion into Singapore is gaining momentum. Singapore's push to enhance grid capacity and support AI and DC-related electricity demand presents a long-term opportunity. UUE's SGD8.4m (~RM28.1m) contract win from SP Power is a strategic entry point. This project is expected to ramp up in 2HCY25, with an impressive gross profit margin guidance of ~50%.

Beyond its core HDD activities, UUE is also positioning for next-generation growth segments, such as subsea HDD and the Malaysia data center boom. The group is working to resolve technical challenges linked to a subsea tender, relocating the Malaysian side landing point from Stulang to Forest City and has invested in a Maxi Rig HDD to support such complex jobs. Meanwhile, demand from DC infrastructure continues to rise sharply, driven by hyperscaler investments and increasing digitalisation, supporting high-margin utility works.

We are sanguine on UUE's outlook for its (i) record-high and expanding orderbook, (ii) strong execution track record with recurring job flows from TNB (iii) growing presence in Singapore's high-barrier utility sector. UUE's financial leverage remains healthy, with a net gearing ratio of 0.05x as of 28 Feb 2025 and the company is expected to move into a net cash position in next financial year.



KLCI	1,528.16
YTD FBM KLCI change	-7.0%
YTD FBM SC Index change	-15.2%
YTD stock price change	-5.8%

Stock Information

Market Cap (RM mil)	495.8
Issued Shares (m)	608.3
52-week range (H)	0.97
52-week range (L)	0.48
Shariah Compliant	Yes

Major Shareholders

Datuk Dr Ting	46.9%
Hin Wai Mun	7.6%
Datuk Ting Meng Pheng	6.3%

Summary Earnings Table

FY Feb (RM'm)	2024A	2025A	2026F	2027F
Revenue	125.7	170.0	226.2	293.3
EBIT	22.8	31.8	43.2	56.4
Pretax profit	21.2	30.2	41.7	54.8
PATMI	**15.9**	**23.0**	**31.7**	**41.7**
Core PATMI	**17.2**	**21.3**	**31.7**	**41.7**
Consensus	-	-	31.8	44.3
Core EPS (sen)	2.8	3.5	5.2	6.9
EPS growth (%)	21.7	24.1	48.5	31.6
DPS (sen)	-	-	-	-
PER (x)	27.3	22.0	14.8	11.2
BV/Share (RM)	0.10	0.19	0.24	0.31
ROE (%)	30.9	24.2	24.6	25.2
Div. Yield (%)	-	-	-	-

Sources: Company, Rakuten Trade Research

Rakuten Trade

Investment Idea

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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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